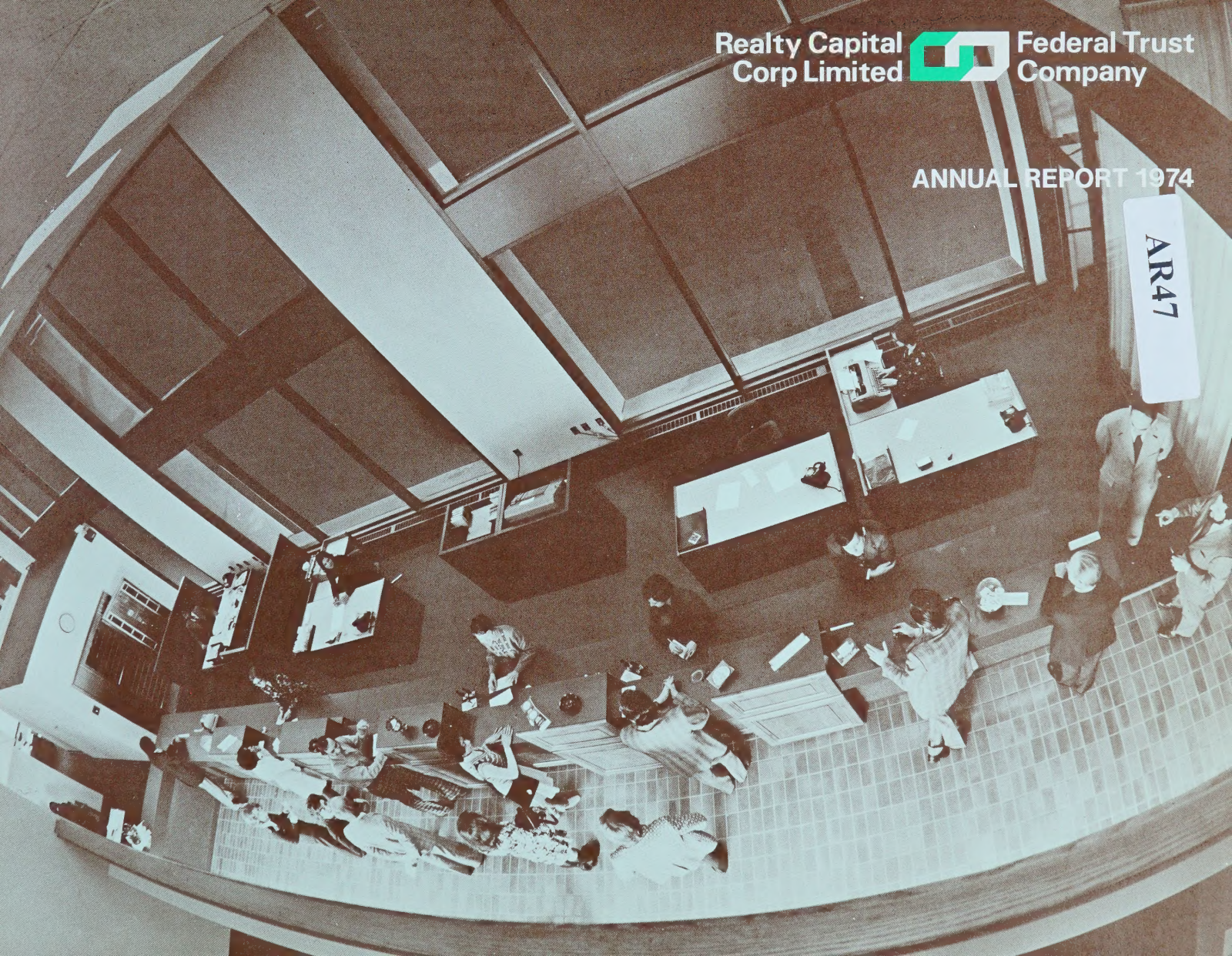




ANNUAL REPORT 1974

AR47



Realty Capital Corp. Limited is a financial services holding company, conducting its activities in three divisions in the Trust, Land Development and Interim Mortgage areas. Federal Trust Company, with 13 savings, real estate and mortgage branch offices, is the company's largest subsidiary.

ANNUAL MEETING

The Annual Meeting of Shareholders of Realty Capital Corp. Limited will be held on Wednesday, May 7, 1975, at 2:30 p.m., in the St. Patrick Room, Holiday Inn Toronto-Downtown.

CONSOLIDATED TEN-YEAR SUMMARY

(in thousands of dollars except per share figures)

	1974	1973
Total income	\$ 9,533	\$ 6,111
Cost of borrowing	6,514	3,549
	<u>3,019</u>	<u>2,562</u>
Operating expenses	2,370	1,864
Earnings before taxes	649	698
Provision for taxes	273	307
Earnings after taxes	<u>376</u>	<u>391</u>
Extraordinary item	—	—
Adjustments*	—	—
Net earnings	<u>\$ 376</u>	<u>\$ 391</u>
Return on average shareholders' equity	9.6%	10.8%
Shareholder items (per Class A share)**		
Net earnings	\$ 0.51	\$ 0.55
Dividends	0.30	0.30
Equity***	5.31	5.10
Market price		
High	4.75	7 ³ / ₈
Low	2.45	3.85
December 31	2.65	4.00
Price/earnings multiple***	5.2	7.3
Other data***		
Total assets	\$99,780	\$77,519
Estates, trusts and agencies under administration	\$15,400	\$ 6,193
Number of shares outstanding:**		
Class A	562,513	561,455
Common	174,400	174,400
Number of Class A shareholders	838	818

*Adjusted for company's share in earnings (losses) of former County Savings and Loan Corporation

**Adjusted for 2 for 1 split in January, 1969

***At December 31

1972	1971	1970	1969	1968	1967	1966	1965
\$ 4,801	\$ 3,530	\$ 1,208	\$ 545	\$ 468	\$ 384	\$ 355	\$ 276
2,451	1,859	585	159	152	155	167	128
2,350	1,671	623	386	316	229	188	148
1,246	1,000	450	171	132	100	79	63
1,104	671	173	215	184	129	109	85
507	313	92	109	88	57	47	34
597	358	81	106	96	72	62	51
45	—	—	—	—	—	—	—
—	—	—	10	5	3	(7)	(7)
\$ 642	\$ 358	\$ 81	\$ 116	\$ 101	\$ 75	\$ 55	\$ 44
23.2%	18.4%	4.5%	9.1%	14.8%	12.6%	10.2%	8.9%
\$ 1.02	\$ 0.74	\$ 0.20	\$ 0.28	\$ 0.49	\$ 0.37	\$ 0.27	\$ 0.21
0.20	0.20	0.20	0.15	0.15	0.15	0.15	0.15
4.88	4.31	3.77	3.80	3.57	3.09	2.75	2.50
7.50	3.85	2.85	5½				
3.50	2.20	1.70	2.75				
6½	3.40	2.10	2.75				
6.1	4.6	10.5	9.8				
\$53,356	\$44,389	\$15,559	\$ 6,739	\$ 3,258	\$ 3,245	\$ 3,379	\$ 3,240
—	—	—	—	—	—	—	—
533,946	306,375	306,375	306,375	30,500	30,000	30,000	30,000
174,400	174,400	174,400	174,400	174,400	174,400	174,400	174,400
764	385						

CONTENTS

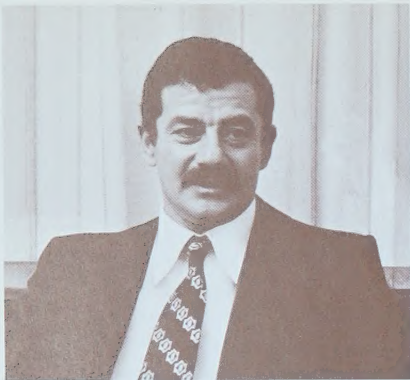
Report of the President	2
Corporate Structure	6
Report on Operations	7

REALTY CAPITAL CORP. LIMITED	
Directors and Officers	11
Financial Statements	12

FEDERAL TRUST COMPANY	
Financial Statements	20
Ten Year Summary	26
Directors and Officers	27
Service & Functions	28
Managers and	
Branch Offices Inside Back Cover	

COVER PHOTO:

The camera's fish-eye lens captures a sweeping view of the spacious and attractive interior of the new Federal Trust Head Office Branch at street level of Federal Trust Tower, 415 Yonge Street.



REPORT OF THE PRESIDENT

During 1974, your company recorded a sizeable increase in total assets as they rose by 29 per cent to approximately \$99.8 million. Total assets, including assets

under administration, also increased appreciably, rising 38 per cent to \$115.2 million.

Total income was \$9.5 million, up from \$6.1 million. Net income was slightly lower at \$376,000, compared to \$391,000. Earnings per share were 51 cents (44 cents fully diluted), compared to 55 cents in 1973 (45 cents fully diluted).

The earnings growth of our company in the past year did not keep pace with our increase in assets and total income, mainly because of a squeeze on our operating margins resulting from the sharp rise in interest rates.

Earnings in our Trust Division were particularly affected by escalating interest rates on savings deposits. However, our policy, introduced in 1974, of closely matching the maturities and interest rates of assets and liabilities is becoming increasingly effective.

REVIEW 1974

The administration of our Trust Division was simplified with the amalgamation of County Savings and Loan Corporation and Federal Trust & Savings Company under the name of Federal Trust Company. This move should provide greater efficiencies and lower operating costs.

During the year we purchased an interest in the building at 415 Yonge Street which is called the Federal Trust Tower. Our Head Office was relocated to these premises and the Federal Trust Head Office Branch opened at street level. The Federal Trust branch at 141 Yonge Street remains in operation at the site of our former Head Office. That building has been sold and will result in an estimated after-tax profit of \$750,000 which will be reflected in our results for 1975. This is expected to satisfy your company's capital requirements for the immediate future.

The savings branch at 950 St. Clair Avenue West, Toronto was relocated across the road to larger and more attractive premises owned by Federal Trust, immediately resulting in increased activity and new accounts. Also in Toronto, another real estate office was opened at 1702 Eglinton Avenue West.

In acting to expand beyond the Metro Toronto area, Federal Trust opened a new Mortgage office in Ottawa and during 1975 will open a new full service office in that city and also one in Welland, Ontario. In addition, we were granted a license to operate in the Province of Quebec.

As the year ended, Federal Trust was completing plans to offer two new financial services. One is based on the experience we have gained since 1973 as the first Canadian financial institution to establish a Deferred Profit Sharing Plan (D.P.S.P.) for our own employees.

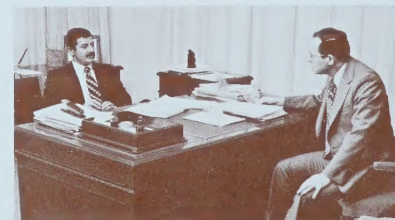
We are now offering a consulting and administrative service for companies wishing to establish these plans.

Federal Trust is also making available the recently approved Registered Home Ownership Savings Plan (R.H.O.S.P.'s), which enable Canadians to save for a home purchase while reducing their taxes.

Our Land Development Division recorded substantially higher profits in 1974 and intends to extend its operations into other provinces. It remains active in developing parcels of real estate, principally in key areas around Metro Toronto.

The Interim Mortgage Division increased the value of its portfolio of mortgages to \$4.1 million in 1974 from \$3.1 million in 1973.

You will note that the financial statements are being presented in a manner that we hope will be more informative to our shareholders. We have broken down income by division and have revised our balance sheet format.



David S. Ades (left), President and Gerald Rose (right), Executive Vice-President

ECONOMIC OUTLOOK

The year 1974 did not end on as promising a note as it began. International and domestic problems caused disruptions in the economy that were not fully realized or appreciated earlier in the year.

The enormous outflows of money from the Western nations to the OPEC countries, if continued, could irreparably harm some of the oil consuming nations regardless of the amount of funds that are re-cycled. This, coupled with reduced consumer demand in those nations, may create a situation which could become untenable.

Partly as a result of the above the current recession may be more prolonged than some in the past. The remedies may lead to a resumption of the excessive rates of inflation we recently experienced. We must live within our means, a lesson we have not yet learned. At the same time care should be taken not to sell ourselves to the OPEC countries.

There seems, however, to be a light on the economic horizon. Oil production has begun to appear greater than present requirements with ensuing downward pressure on oil prices. Nations are also actively seeking alternative sources of energy.

Although consumer spending has slowed significantly, there are some signs of recovery, especially in the United States where prices have

declined due to consumer resistance.

The reduction in price levels should increase demand to a more acceptable level in the near future, helping to bring the economy out of its present recession. For the present I see the level of personal savings continuing to rise, as people tend to save more when concerned about economic conditions.

OUTLOOK FOR REALTY CAPITAL

The prospects for Realty Capital tend to be more optimistic than for the economy as a whole.

- Our objective of closely matching the maturities and interest rate margins of our liabilities and assets is meeting with increasing success. As a result, we are reducing the sensitivity of our earnings to sudden interest rate fluctuations.
- The opening of our new branches in Toronto, Welland and Ottawa will help us achieve a further significant gain in total assets.
- Current economic conditions should generate an increase of deposits at our trust company's branches.
- Short-term interest rates on demand deposits have declined sharply and it appears that they will remain at reduced levels until early 1976. The resulting reduction of interest expense will undoubtedly improve our profit margins.
- Federal Trust will benefit from recent legislation enabling it to increase its borrowing capacity on its capital base.

- Administrative expenses have been reduced in a number of areas as a result of new policies and procedures adopted in recent months.
- The introduction of on-line banking at our trust offices improves our service to customers and increases internal efficiencies. In addition we will be able to handle a larger volume of business without increasing personnel.
- Additional income will result from the expansion of our services into the areas of business provided by the R.H.O.S.P.'s, D.P.S.P.'s, and the Mortgage and Bond Fund and Investment Fund.
- Increased commissions will be generated by the expansion of our Real Estate Sales Department.
- Federal Trust's Mortgage Banking section performed well in 1974. Indications are that the volume of business will continue to grow in 1975. This will result in increased servicing income from mortgages under administration.
- The Land Development and Interim Mortgage Divisions will continue to make their contribution to our operations.

APPOINTMENTS

On behalf of the Board, I would like to express our regret that the pressures of other business required Mr. Ralph S. McCreath to resign from the Board of Directors of Federal Trust Company. Mr. McCreath was associated with the

company for the past 10 years and his efforts were of great assistance during this formative period.

I am pleased to welcome to Federal Trust's Board of Directors, Mr. Georges A. Pouliot, senior partner in the Montreal law firm of Pouliot, Mercure, LeBel, Prud'Homme, Verdy & Desrochers.

I am also pleased to announce the formation of the Brampton Advisory Board and welcome to it Mr. J. Robert Kelly as Chairman and Mr. William Raine and Mr. Doug Dunton, all residents and active members of that community. This Board will assist the Company's efforts to remain sensitive and responsive to the requirements of the Brampton community.



David S. Ades (left) and Consiglio Di Nino (right) are shown with Wilfred W. Kelly, (seated), manager of Federal Trust's branch in Brampton, Ontario and the members of the Company's Brampton Advisory Board. Mr. J. Robert Kelly (center right) as Chairman, Mr. William Raine (center) and Mr. Doug Dunton (center left)

I also note with pleasure the appointments of Mr. M. Michael Craft as Comptroller of Realty Capital Corp. Limited and Federal Trust Company; Mr. Gerald T. Herstad as head of our Real Estate Sales Department and Mr. Edward A. Densmore as head of the Consumer Loan Department.

APPRECIATION

I also would like to express our appreciation to all employees. Their efforts and enthusiasm are in large measure responsible for our continued growth and prosperity during this difficult period. Their loyalty and dedication engenders confidence in all of us that we can meet whatever challenges lie ahead.

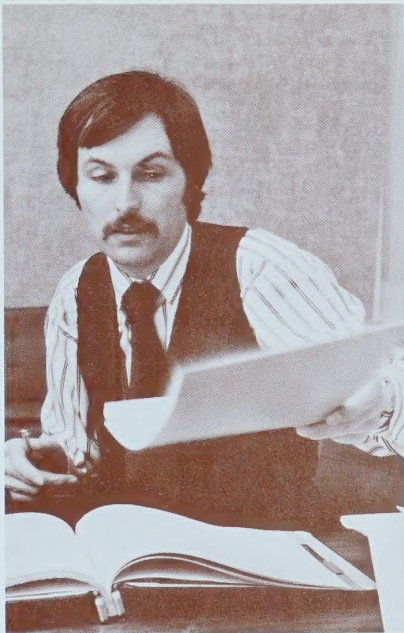
I wish to thank our shareholders for their support and hope that they will continue to make use of our broad range of financial services.

David S. Ades
President & Chief Executive Officer

March 31st, 1975



Federal Trust Tower at 415 Yonge Street is the new home of the Company's Head Office. The Federal Trust Head Office Branch has opened at street level.

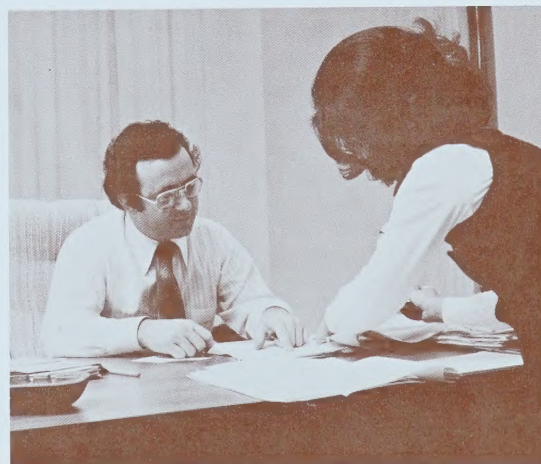


*Roger I. Coe,
Vice-President & Treasurer.*

*Ralph E. Ades, Chairman of the Board, speaks
with Giuseppe Totino, manager of the new
Federal Trust office at 948 St. Clair Avenue
West.*

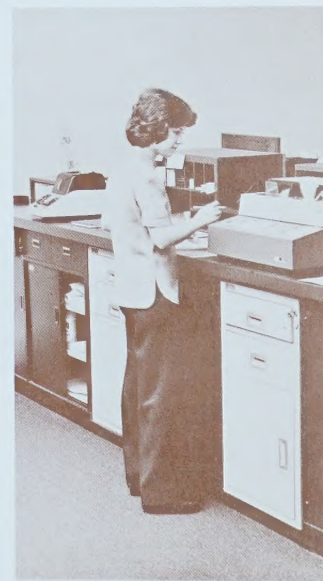


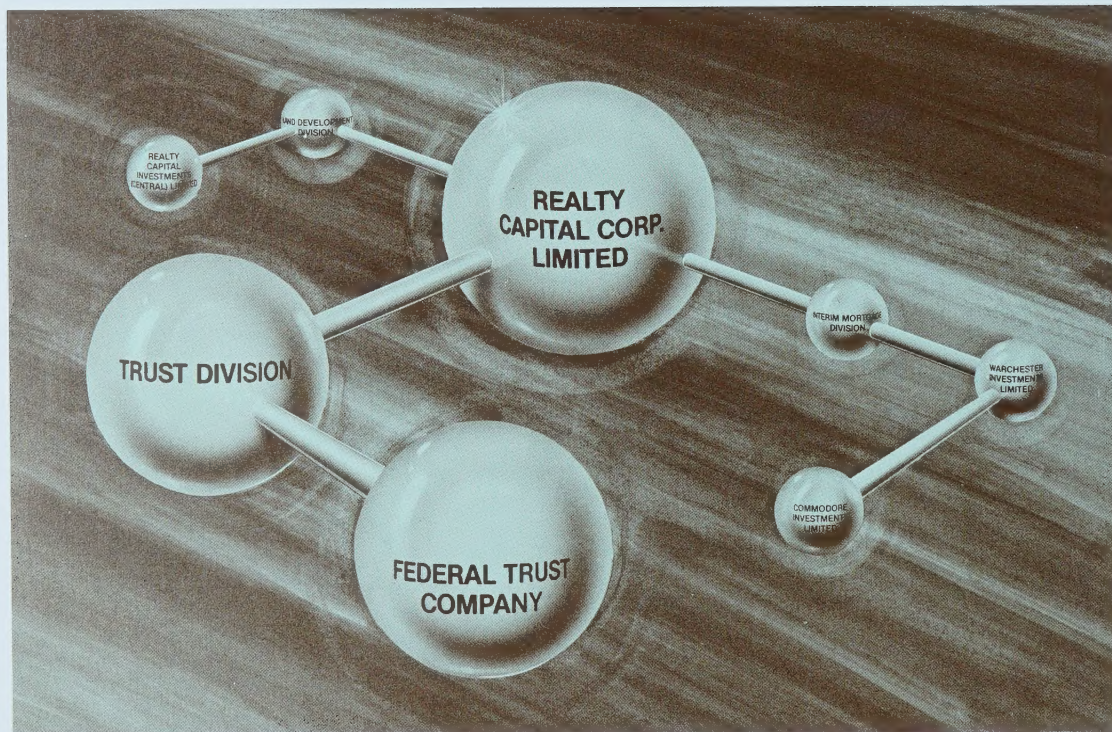
*Michelle Maiola, manager of Guaranteed
Investment Certificates, checking G.I.C.
applications.*



Consiglio Di Nino, Vice-President.

*Bruna Simonetta operates a computer
terminal, a part of the on-line banking
system introduced by Federal Trust in 1974.*





REPORT ON OPERATIONS

As a financial services holding company, Realty Capital Corp. Limited conducts its activities through three divisions, Trust, Land Development and Interim Mortgage.

TRUST DIVISION

Following the amalgamation of County Savings and Loan Corporation and Federal Trust & Savings Company, the Trust Division now consists of the resulting Federal Trust Company.

The Trust Division in 1974 accounted for 92 per cent, or \$92.3 million of Realty Capital's total assets. This Division recorded net income after tax of \$156,000 in 1974, compared to \$320,000 the previous year.

The effects of inflation on operating expenses and the costs of opening new branches and introducing new services can be cited as contributing to this decline in earnings.

In 1974, as with all trust companies, our costs of savings deposits responded quickly to the general escalation in interest rates. Part of these funds had been previously invested in mortgages acquired at fixed rates prevailing at the time of placement. As a result, our profit margins, in line with industry experience, were severely squeezed.

Trust companies attempt to place funds deposited with them in the form of G.I.C.'s, short-term or demand deposits in investments with sufficient interest spread to provide a profit. To lessen the sensitivity of this spread to escalating interest rates, Federal Trust is placing increasing emphasis on matching both the maturities and rates of its various forms of deposits to those of its investments.

For example, monies from five-year G.I.C.'s are invested in five-year mortgages and monies from demand and short-term deposits are allocated for investment in consumer and demand loans and short-term mortgages.

During 1974 we doubled our consumer and demand loans and substantially increased the amount of our short-term mortgages.

The recent drop in short-term interest rates has reversed this process, and as deposits now cost less, our spread has once again widened. This fact, and the success of the greater emphasis being placed on our matching of maturities and rates, bode well for the profits of this division in the future.

SAVINGS BRANCHES DEPARTMENT

We are pleased with the growth of deposits at Federal Trust's nine existing savings branches, including the new Head Office location. Two full service branches will open in Ottawa and Welland, Ontario this spring. This will increase the total number of branches including our Real Estate Sales and Mortgage offices to 13.

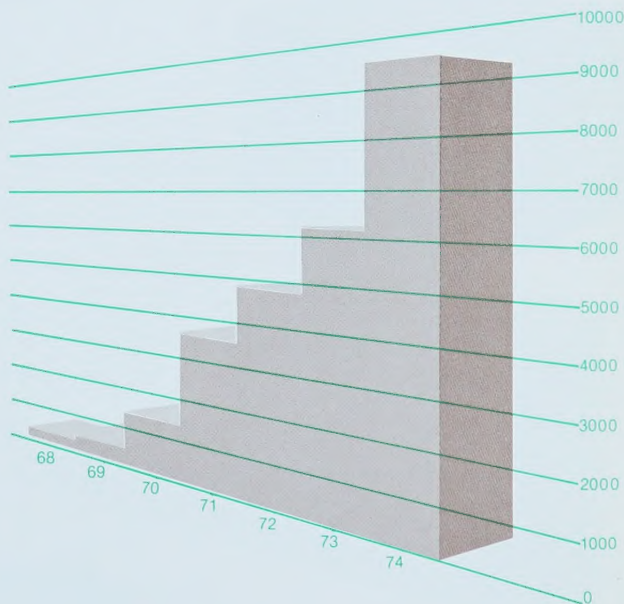
Rather than simply assuming the function of administrators, our branch managers emphasize customer service and aggressively pursue new business. Funds raised through G.I.C.'s, Savings, Chequing and Term Deposits rose by 35% to \$86.1 million with all of the branches reporting higher deposit levels.

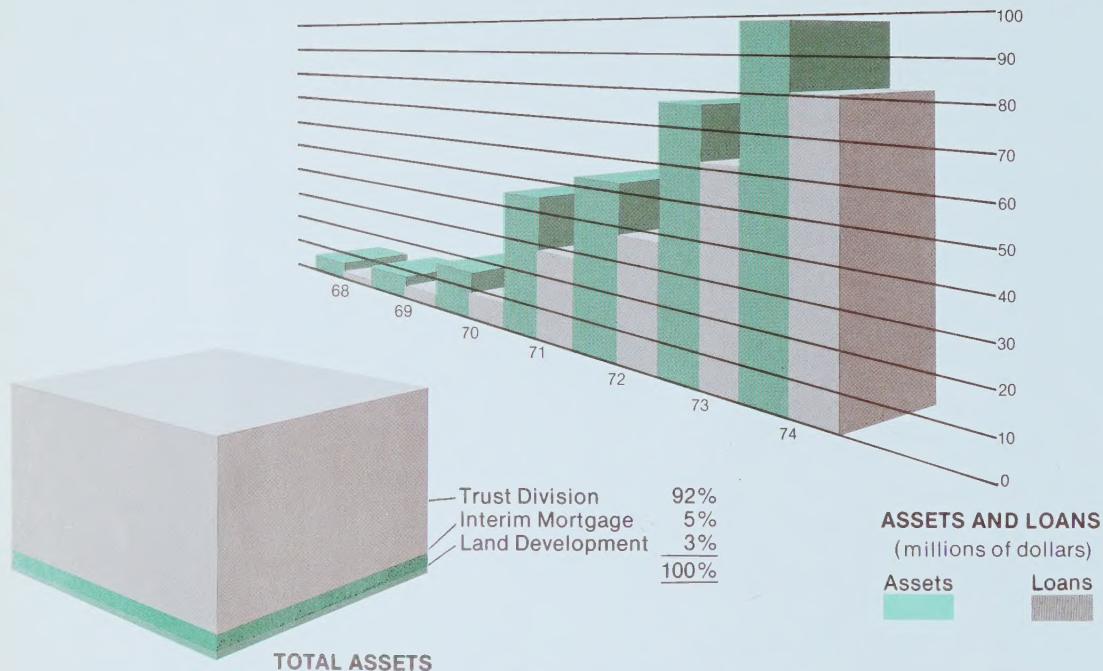
Management foresaw at the beginning of 1974 that rising short-term interest rates would result in increasing customers' demand for short-term deposits. Accordingly, Federal Trust expanded its services in this area to retain customers and their funds.

GROSS INCOME

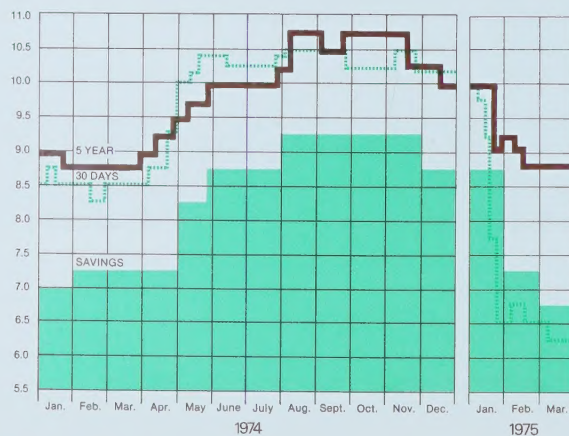
(thousands of dollars)

Trust Division	8,337	87%
Interim Mortgage	559	6%
Land Development	637	7%
	<u>9,533</u>	<u>100%</u>





INTEREST RATES



With the recent decline in short-term interest rates, these monies are now flowing back into the savings area.

To date, FederalTrust has introduced on-line banking at two branches and more will follow in 1975. This has enabled us to improve customer services at these branch offices. It also increased internal efficiencies, thus reducing the need for additional staff to handle expanding business volume.

MORTGAGE DEPARTMENT

The Mortgage Department had another successful year acquiring quality mortgage investments. The mortgage portfolio increased by \$16.4 million in 1974 to \$73.2 million. Unfunded commitments amounted to \$9 million.

During the year, the underwriting policies of the company were made more stringent as a result of management's concern about inflated real estate values and deteriorating economic conditions. This policy is being continued.

The Mortgage Banking section was once again successful in placing mortgages with investor clients resulting in mortgages under administration increasing to \$13.8 million from \$6.2 million. This will provide additional fee income to the company. Indications are that this growth will continue in 1975 and intentions are to expand activities to other major metropolitan centres.

CONSUMER LOAN DEPARTMENT

The portfolio rose to \$2.5 million in 1974 compared to \$1.2 million. Loss experience to date has been negligible. In accordance with our policy of matching maturities and rates, further expansion of the portfolio is planned.

SECURITIES DEPARTMENT

The Securities Department continues to achieve steady progress administering the company's growing securities portfolio, short-term deposits and our Mortgage and Bond Fund and Investment Fund. The emphasis of this department in 1975 will be directed toward expanding these services.

During 1974 preferred stocks with a redemption feature at the option of the holder made their debut. These investments now tie in with our matching of maturities policy and as a result additional funds will be directed to this area. In addition, dividends received are exempt from taxation.

REGISTERED RETIREMENT SAVINGS PLANS

Federal Trust was once again able to attract a significant number of new R.R.S.P. plans during the year. The largest part of the monies from this source are invested in our G.I.C.'s and the Mortgage and Bond Fund.

REAL ESTATE SALES DEPARTMENT

Although the real estate market declined during the latter half of the year, we are pleased with the results of our Real Estate Sales Department. Our branches have become well established in their areas and are now capable of recording greater commission volumes as the real estate market improves. We are planning to open new sales offices on a selective basis.

LAND DEVELOPMENT DIVISION

The Land Development Division continues to generate earnings with profits on the sale of real estate in 1974

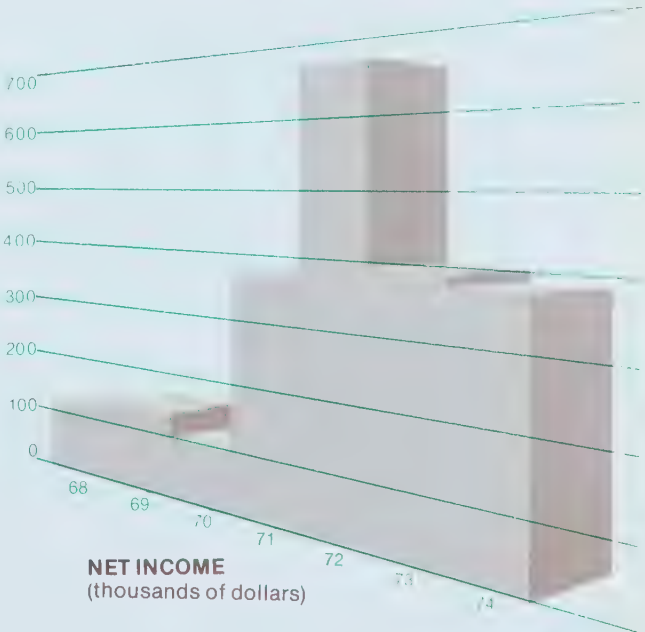
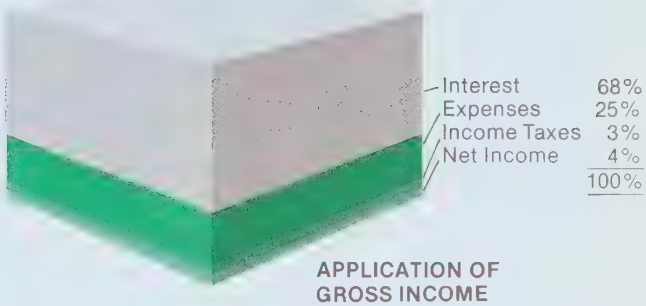
increasing to \$559,000, compared to \$110,000 the previous year.

This Division is broadening its activities in Ontario and investigating opportunities in other provinces. The present land holdings are considered to be in key areas around Metro Toronto.

Future income will also be derived from the mortgages being extended on land sales as these mortgages are discounted to yield current market rates at the time of sale and these discounts amortized over the terms of the mortgages.

INTERIM MORTGAGE DIVISION

The Interim Mortgage Division works closely with our Trust Division to provide a complete service to builders and other customers of Federal Trust. The value of the Division's portfolio of interim, bridge and secondary mortgages rose to \$4.1 million in 1974, from \$3.1 million in 1973.





The new Federal Trust office at 948 St. Clair Avenue West features an attractive, open counter area.

Protection of valuables in Safety Deposit Boxes is one of the many services Federal Trust offers customers. Elvira Rea and Navin Ghelani remove a safety deposit box from the vault at the Federal Trust Head Office.



Federal Trust's Real Estate office in Pickering, Ontario is well situated in the busy Sheridan Mall.



Frances L. Conant, manager of our Real Estate office in Pickering has more than 24 years experience in real estate sales.



Money orders are another service of Federal Trust. Gabriela Telas matches requisitions and money orders.



Conference in Board Room of Realty Capital's new Head Office in the Federal Trust Tower is held by the Executive Committee. (left to right) Consiglio Di Nino, Roger I. Coe, David S. Ades, Gerald Rose and Peter R. Simpson.



DIRECTORS:

*David S. Ades, B.Sc., A.M.C.T.
President,
Realty Capital Corp. Limited
Federal Trust Company

Jeanne Ades

Ralph E. Ades,
Chairman of the Board

*Leonard E. Barlow,
Senior Vice-President,
McLeod, Young, Weir & Company
Limited, Toronto

Roger I. Coe, C.A.
Vice-President & Treasurer
Realty Capital Corp. Limited
Federal Trust Company

*William G. Durst, F.R.I.
Vice-President,
Harvey Keith Real Estate Limited,
Toronto

Pierre Genest, Q.C.
Partner,
Cassels, Brock, Toronto

Peter Mackenzie,
Vice-President,
Cadillac Explorations Limited,
Calgary

Gerald Rose, S.R.A.
*Executive Vice-President &
Secretary*
Realty Capital Corp. Limited
Federal Trust Company

*Wilfred J. Wilson,
Senior Vice-President,
Teachers' Insurance and Annuity
Association of America and
College Retirement Equities Fund,
New York

*Audit Committee

OFFICERS:

Ralph E. Ades, *Chairman*

*David S. Ades, B.Sc., A.M.C.T.,
President

*Gerald Rose, S.R.A., *Executive Vice-
President & Secretary*

*Roger I. Coe, C.A., *Vice-President &
Treasurer*

*Consiglio Di Nino, *Vice-President*

*Peter R. Simpson, *Assistant Vice-
President & Mortgage Manager*
M. Michael Craft, *Comptroller*

*Executive Committee

AUDITORS:

Price Waterhouse & Co.,
Chartered Accountants, Toronto

TRUSTEES AND

TRANSFER AGENTS:

Common Shares, Secured Certifi-
cates and Unsecured Debentures
*Guaranty Trust Company of
Canada, Toronto*

Class A Shares, Series C and
F Warrants

Montreal Trust Company, Toronto

BANKERS:

Royal Bank of Canada
Canadian Imperial Bank of
Commerce
Mercantile Bank of Canada

LEGAL COUNSEL:

Cassels, Brock
Barristers & Solicitors, Toronto

STOCK EXCHANGE LISTING:

Toronto Stock Exchange
Class A Shares, Series C and
F Warrants



CONSOLIDATED BALANCE SHEET

ASSETS

December 31

	1974	1973
Cash and bank deposit receipts	\$ 4,019,000	\$ 3,062,000
Investment income due and accrued	1,219,000	759,000
Securities (Note 2):		
Bonds	6,214,000	5,851,000
Stocks	1,584,000	1,438,000
	<u>7,798,000</u>	<u>7,289,000</u>
Loans:		
Mortgages	77,244,000	59,974,000
Consumer and other	3,324,000	1,291,000
	<u>80,568,000</u>	<u>61,265,000</u>
Real estate held for development or sale (Note 3)	2,386,000	2,688,000
Investment in and advances to joint ventures (Note 4)	946,000	213,000
Other (Note 5)	1,529,000	898,000
Premises, leasehold improvements and equipment (Note 6)	1,315,000	1,345,000
	<u>\$99,780,000</u>	<u>\$77,519,000</u>

LIABILITIES

December 31

1974

1973

Guaranteed trust deposits (Note 7):

Demand	\$19,525,000	\$19,935,000
Term	4,603,000	1,403,000
Guaranteed investment certificates and debentures	59,157,000	40,860,000
Interest due and accrued	2,779,000	1,619,000

86,064,000 63,817,000

Accounts payable and other

1,097,000 876,000

Deposit on sale of premises (Note 8)

53,000 —

Mortgages payable (Note 9)

1,348,000 1,352,000

Bank loans (Note 10)

2,411,000 2,559,000

Long term debt (Note 11)

4,207,000 4,566,000

95,180,000 73,170,000

Deferred income taxes

689,000 598,000

SHAREHOLDERS' EQUITY

Capital stock (Note 12)	2,524,000	2,519,000
Contributed surplus	8,000	8,000
Retained earnings	1,379,000	1,224,000
	3,911,000	3,751,000
	<u>\$99,780,000</u>	<u>\$77,519,000</u>

On behalf of the Board:

David S. Ades, Director
Gerald Rose, Director

AUDITORS' REPORT

To the Shareholders of
Realty Capital Corp. Limited.

We have examined the consolidated balance sheet of Realty Capital Corp. Limited and its subsidiary companies as at December 31, 1974 and the consolidated statements of income, retained earnings and changes in cash position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the consolidated financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their cash position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The consolidated financial statements for the year ended December 31, 1973 were reported on by other auditors.

Toronto
March 17, 1975

PRICE WATERHOUSE & CO.
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

	Year ended December 31	
	1974	1973
Trust Division:		
Investment income	\$ 7,794,000	\$ 5,062,000
Fee and commission income	543,000	386,000
	<u>8,337,000</u>	<u>5,448,000</u>
Expenses—		
Interest	5,955,000	3,265,000
Salaries, commissions and staff benefits	1,226,000	911,000
Premises	220,000	127,000
Other operating	722,000	575,000
	<u>8,123,000</u>	<u>4,878,000</u>
Income from Trust Division	<u>214,000</u>	<u>570,000</u>
Other Divisions:		
Mortgage and other investment income	610,000	427,000
Profit on sale of real estate	559,000	110,000
Fee and commission income	27,000	126,000
	<u>1,196,000</u>	<u>663,000</u>
Expenses—		
Interest	559,000	284,000
Operating	202,000	251,000
	<u>761,000</u>	<u>535,000</u>
Income from Other Divisions	<u>435,000</u>	<u>128,000</u>
Net income before taxes	<u>649,000</u>	<u>698,000</u>
Income taxes:		
Current	182,000	71,000
Deferred	91,000	236,000
	<u>273,000</u>	<u>307,000</u>
Net income for the year	<u>\$ 376,000</u>	<u>\$ 391,000</u>
Earnings per Class A and Common share (Note 13):		
Net income for the year	<u>\$ 0.51</u>	<u>\$ 0.55</u>
Fully diluted	<u>\$ 0.44</u>	

CONSOLIDATED STATEMENT OF CHANGES IN CASH POSITION

	Year ended December 31	
	1974	1973
SOURCES OF CASH:		
Operations*	\$ 548,000	\$ 719,000
Increase in guaranteed trust borrowings	21,087,000	20,479,000
Issue of long term debt	—	3,500,000
Issue of additional capital	5,000	118,000
Increase in other bank loans	852,000	(556,000)
Proceeds from sale of real estate held for development or sale less profit included in operations	2,173,000	1,884,000
Net other sources	331,000	(762,000)
	<u>24,996,000</u>	<u>25,382,000</u>
APPLICATIONS OF CASH:		
Decrease in bank loan of Federal Trust Company	1,000,000	(1,000,000)
Increase in securities	509,000	26,000
Increase in loans	19,303,000	23,445,000
Decrease in mortgages payable	4,000	741,000
Increase in premises, leasehold improvements and equipment	39,000	85,000
Dividends	221,000	215,000
Payments on long term debt	359,000	745,000
Increase in investment in and advances to joint ventures	733,000	27,000
Additions to real estate held for development or sale	1,871,000	941,000
	<u>24,039,000</u>	<u>25,225,000</u>
Increase in cash for the year	957,000	157,000
Cash and bank deposit receipts at beginning of year	3,062,000	2,905,000
Cash and bank deposit receipts at end of year	<u>\$ 4,019,000</u>	<u>\$ 3,062,000</u>

*Represents net income for the year after adding back depreciation, amortization of financing costs, deferred income taxes and minority interest (1974—\$172,000; 1973—\$328,000).

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended December 31	
	1974	1973
Balance at beginning of year	\$ 1,224,000	\$ 1,048,000
Net income for the year	376,000	391,000
	<u>1,600,000</u>	<u>1,439,000</u>
Dividends:		
Class A shares (30 cents per share)	169,000	163,000
Common shares (30 cents per share)	52,000	52,000
	<u>221,000</u>	<u>215,000</u>
Balance at end of year	<u>\$ 1,379,000</u>	<u>\$ 1,224,000</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1974

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation—

The consolidated financial statements include the accounts of Realty Capital Corp. Limited and all of its subsidiary companies as listed below:

Company	Ownership	
	1974	1973
Federal Trust Company*	99%	99%
Warchester Investments Limited	100%	100%
Commodore Investments Limited	100%	100%
Edenhurst Developments Limited	100%	100%
Realty Capital Investments (Central) Limited	100%	100%
Sutton-Davis Estates North Inc. (Note 3)	100%	49%

*Federal Trust Company was formed effective June 30, 1974 by the amalgamation of County Savings and Loan Corporation with its subsidiary Federal Trust & Savings Company.

Acquisitions are accounted for using the purchase method of accounting. The minority interests, which are not material, have been included with accounts payable on the balance sheet and operating expenses in the statement of income.

(b) Securities—

Stocks are carried at original cost and bonds at amortized cost. Where concurrent purchase and sale contracts of equal value are made for bonds of a similar investment quality and maturity, the cost of the bonds acquired is deemed to be the equivalent of the cost of the bonds sold.

(c) Consumer and other loans—

Provision for losses on loans is made as required. Interest income on consumer loans is amortized over the terms of the loans using the sum of the digits method.

On all other loans interest is recorded on an accrual basis.

(d) Mortgages—

Mortgages are stated at their outstanding principal amount less unamortized discounts and placement fees. Discounts and placement fees are amortized on a straight-line basis over the terms of the mortgages.

(e) Real estate held for development or sale—

Real estate properties are valued at the lower of cost plus maintenance, carrying and development costs to date or estimated market value. Carrying costs include interest on mortgages payable on the real estate and a pro-rata portion of the interest on other long term debt.

Where mortgages are taken back on the sale of real estate, these mortgages are discounted to yield current market rates and the discount amortized over the terms of the mortgages.

(f) Joint ventures—

These investments are recorded using the equity accounting basis.

(g) Deferred expenses—

Certain expenses, included in other assets, are deferred to provide proper matching of revenue and expenses. The significant items are:

(i) Commissions paid on guaranteed investment certificates and debentures are written off over the terms of the certificates.

(ii) Costs incurred to obtain surrender of leases are written off on a straight-line basis over a period of 5 years.

(iii) Financing costs, including commissions, are written off over the terms of the related debt.

(h) Premises, leasehold improvements and equipment—

Premises, leasehold improvements and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided to write off assets over their estimated useful lives as follows:

Buildings	—5% reducing balance
Equipment	—20% reducing balance
Leasehold improvements	—over the term of the lease plus first option period

(i) Income taxes—

Full provision for income taxes is made in the financial statements using the tax allocation method, whereby income taxes related to timing differences are included in deferred income taxes. Timing differences arise as a result of including certain items of income and expense in one reporting period for financial accounting purposes and another for income tax purposes.

2. SECURITIES

Cost and market values are:

	December 31			
	1974		1973	
	Cost	Market	Cost	Market
Bonds				
Gov't. of Canada	\$1,681,000	\$1,589,000	\$1,546,000	\$1,427,000
Prov. of Canada	2,901,000	2,363,000	2,900,000	2,589,000
Municipalities	35,000	29,000	35,000	29,000
Corporation	1,597,000	1,291,000	1,370,000	1,208,000
	<u>6,214,000</u>	<u>5,272,000</u>	<u>5,851,000</u>	<u>5,253,000</u>
Stocks				
Preferred	1,276,000	961,000	1,000,000	895,000
Common	308,000	147,000	438,000	360,000
	<u>1,584,000</u>	<u>1,108,000</u>	<u>1,438,000</u>	<u>1,255,000</u>
	<u>\$7,798,000</u>	<u>\$6,380,000</u>	<u>\$7,289,000</u>	<u>\$6,508,000</u>

The Government of Canada and provincial bonds represent the securities held by Federal Trust Company in accordance with certain requirements under the Loan and Trust Corporations Act.

3. REAL ESTATE HELD FOR DEVELOPMENT OR SALE

Real estate includes interests in several parcels of land. During 1974 the balance (51%) of the shares outstanding in Sutton-Davis Estates North Inc. and the indebtedness to the vendor was acquired. Details of the acquisition are as follows:

Net assets acquired:

Real estate acquired for development or sale	\$ 577,000	
Indebtedness to vendor	27,000	
Adjustment to fair value	423,000	
	<u>1,027,000</u>	
Mortgages payable	\$ 524,000	
Other advances	53,000	577,000
		<u>\$ 450,000</u>

Consideration given:

9% promissory note due October 5, 1980 (secured by real estate)	\$ 338,000
Cash	112,000
	<u>\$ 450,000</u>

The difference between the fair value (cost) of the real estate acquired and book value has been capitalized.

During the year development and carrying costs in the amount of \$317,000 (\$941,000 in 1973) were capitalized.

4. INVESTMENT IN AND ADVANCES TO JOINT VENTURES

The investment in and advances to joint ventures is represented by the following:

	December 31 1974	
10% undivided interest in 415 Yonge Street— Land	\$ 237,000	
Building less accumulated depreciation of \$12,000	767,000	
	<u>1,004,000</u>	
9¼ % mortgage repayable over 25 years	\$ 500,000	
Equity position	6,000	506,000
		<u>498,000</u>
Other investments in and advances to corporate joint ventures— Mortgage receivable	223,000	
Real estate held for development or sale	167,000	
Advances	128,000	
Mortgages payable	(43,000)	
Other liabilities	(27,000)	448,000
		<u>\$ 946,000</u>

The Company is recording depreciation at 2½ % on the straight-line basis on its interest in the building.

5. OTHER ASSETS

Included in other assets are the following items:

	December 31	
	1974	1973
Investment in Federal Trust Managed Funds	\$ 200,000	\$ 200,000
Deferred expenses	302,000	306,000
Income tax recoverable	56,000	157,000
Cost less related accumulated depreciation of premises sold (Note B)	627,000	—
Real estate acquired by foreclosure	250,000	—
Other	94,000	235,000
	<u>\$1,529,000</u>	<u>\$ 898,000</u>

6. PREMISES, LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Book values are:

	December 31 1974		December 31 1973	
	Cost	Accum. depreciation & amortization	Net	Net
Land	\$ 263,000	\$ —	\$ 263,000	\$ 723,000
Buildings	614,000	82,000	532,000	471,000
Leasehold improvements	477,000	87,000	390,000	16,000
Equipment	344,000	214,000	130,000	135,000
	<u>\$1,698,000</u>	<u>\$ 383,000</u>	<u>\$1,315,000</u>	<u>\$1,345,000</u>

Depreciation and amortization charged against operations amounted to \$69,000 in 1974 and \$67,000 in 1973. Mortgages payable totalling \$301,000 are secured against land and buildings.

7. GUARANTEED TRUST DEPOSITS

This represents borrowings of Federal Trust Company. The consolidated balance sheet includes assets (principally securities and loans) equal to the full aggregate amount of these deposits which in compliance with the requirements of the Loan and Trust Corporations Act are earmarked and set aside to guarantee repayment of the trust deposits.

8. DEPOSIT ON SALE OF PREMISES

Under an agreement dated April 11, 1974 the land and building at 141-143 Yonge Street was sold as of December 23, 1974 for a total consideration of \$1,528,000. The purchase consideration is to be satisfied as follows:

Cash received to date of closing	\$ 53,000
9½ % Promissory note paid March 12, 1975	100,000
9½ % Second mortgage with principal repayments of \$76,000 due June 23, 1975 and balance due December 23, 1975	229,000
9½ % First mortgage due December 23, 1984	1,146,000
	<u>\$1,528,000</u>



Although title to the property passed to the purchaser on December 23, 1974, the profit on sale has not been recognized in the accounts to December 31, 1974 since the cash proceeds to that date are nominal in comparison to the total consideration. The profit on sale will be recognized in 1975 when further cash proceeds are received.

The cost less related accumulated depreciation of the premises sold, amounting to \$627,000, is included in other assets.

9. MORTGAGES PAYABLE

The mortgages payable are secured by specific charges on real estate held for development or sale and the Company's branch premises. They bear interest at rates between 7% and 10½% and call for principal repayments as follows:

1975	\$ 349,000
1976	22,000
1977	199,000
1978	11,000
1979	11,000
Subsequent to 1979	756,000
	<u>\$1,348,000</u>

10. BANK LOANS

Details of bank loans are as follows:

	December 31	
	1974	1973
Warchester Investments Limited— Secured by Series 3 certificates See note 11(b) for details of the Trust Indenture securing the series.	\$2,375,000	\$1,395,000
Realty Capital Investments (Central) Limited	36,000	164,000
Federal Trust Company	—	1,000,000
	<u>\$2,411,000</u>	<u>\$2,559,000</u>

All loans are payable on demand and bear interest at a rate which fluctuates with the lenders' prime commercial rate.

11. LONG TERM DEBT

Details of long term debt are as follows:

	December 31	
	1974	1973
Realty Capital Corp. Limited— Unsecured debt: 9¼% sinking fund debentures, Series A, due July 3, 1992 (a)	\$3,500,000	\$3,500,000
6¾% subordinated convertible debentures, Series A, due December 1, 1974	—	277,000
Warchester Investments Limited— Secured certificates (b): 8% Series 1, \$270,000 (U.S.) principal amount, payable \$38,000 (U.S.) annually with balance due January 31, 1981 (c)	290,000	331,000
9% Series 2, \$386,000 (U.S.) principal amount, payable \$38,000 (U.S.) annually with balance due June 25, 1984 (c)	417,000	458,000
	<u>\$4,207,000</u>	<u>\$4,566,000</u>

Principal repayments, including sinking fund requirements, are called for as follows:

1975	\$ 82,000
1976	247,000
1977	247,000
1978	247,000
1979	247,000
Subsequent to 1979	3,137,000
	<u>\$4,207,000</u>

Amortization of financing costs amounted to \$12,000 in 1974 and \$22,000 in 1973. Long term debt interest included in the consolidated statement of income amounted to \$326,000 in 1974 and \$225,000 in 1973.

(a) The Trust Indenture securing the sinking fund debentures Series A contains, among other things, restrictions as to the issuing of additional debentures and of other secured debt and on paying dividends. The Company has covenanted to pay by way of a mandatory sinking fund, sums sufficient to retire \$165,000 principal amount of debt on or before July 3 in each of the years 1976 to 1992 inclusive.

(b) The Trust Indenture securing the secured certificates Series 1, 2 and 3 of Warchester Investments Limited requires, among other things, that the Company will maintain on deposit with the Trustee acceptable collateral (as defined) of the total value of at least 120% of the aggregate principal amount of all outstanding secured certificates issued thereunder. The Indenture also contains restrictions as to the total amount of secured and subordinated debt that the Company may issue from time to time.

(c) Long term debt payable in United States funds has been translated at the exchange rate prevailing at the date of issue of the debt. If the debt had been translated at the prevailing exchange rate at December 31, 1974, the liability would be reduced by approximately \$54,000.

12. CAPITAL STOCK

(a) Details of authorized and issued capital—

Authorized—
2,000,000 cumulative (20c) non-voting
participating Class A
shares without par value
360,000 common shares without
par value

	December 31	
	1974	1973
Issued— 562,513 Class A shares (1973— 561,455)	\$2,190,000	\$2,185,000
174,400 common shares	334,000	334,000
	<u>\$2,524,000</u>	<u>\$2,519,000</u>

(b) During 1974 1,058 Class A shares were issued as a result of the conversion of \$5,000 Series A 6¾% subordinated debentures.

(c) At December 31, 1974 share warrants were outstanding entitling the holders to acquire one Class A share for each warrant held as follows:

	Exercisable to	Exercise price	Class A shares reserved for exercise
Series C	February 15, 1979	\$5.00	155,000
Series D	February 1, 1976	4.00	10,000
Series F	{ July 3, 1978	6.25 }	175,000
	{ July 3, 1983	7.75 }	340,000

13. EARNINGS PER SHARE

The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective years. Fully diluted earnings per share reflect the result if all share warrants with dilutive effects outstanding at the end of the period had been exercised at the beginning of the period. For the purpose of these calculations earnings of \$95,000 have been imputed at an after tax rate of 5%.

14. OTHER INFORMATION

- (a) Mortgages—
Outstanding commitments for future advances amounted to approximately \$9,000,000 at December 31, 1974.
- (b) Leases—
Under lease commitments expiring over the next nine years, the Company is committed to annual rental payments of \$299,000.
- (c) Federal Trust Mortgage and Bond Fund—
If redemptions from this managed fund exceed cash available to meet redemptions, Federal Trust Company has undertaken to find a purchaser for such number of mortgages as will realize the required cash. As at December 31, 1974 the Fund held mortgages valued at \$134,000.

(d) Directors and senior officers remuneration—

The aggregate remuneration paid or payable by the Company and its subsidiaries to directors and senior officers (as defined by The Business Corporation Act, Ontario) amounted to \$260,000 in 1974 and \$241,000 in 1973.

(e) Comparative figures—

For comparative purposes certain 1973 accounts have been reclassified to conform with classifications adopted in 1974.



BALANCE SHEET

ASSETS

December 31

1974

1973

(Note 2)

Cash and bank deposit receipts	\$ 4,048,000	\$ 3,062,000
Investment income due and accrued	996,000	704,000
Securities (Note 3):		
Bonds	6,214,000	5,851,000
Stocks	1,584,000	1,438,000
	<u>7,798,000</u>	<u>7,289,000</u>
Loans:		
Advances to estates, trusts and agencies	825,000	51,000
Loans on securities	1,145,000	283,000
Consumer and personal	1,354,000	956,000
Mortgages	73,171,000	56,829,000
	<u>76,495,000</u>	<u>58,119,000</u>
Investment in joint venture (Note 4)	498,000	—
Other (Note 5)	1,121,000	428,000
Premises, leasehold improvements and equipment (Note 6)	1,314,000	1,091,000
	<u>\$92,270,000</u>	<u>\$70,693,000</u>

LIABILITIES

	December 31	
	1974	1973
	(Note 2)	
Guaranteed trust deposits (Note 7):		
Demand	\$19,525,000	\$19,935,000
Term	4,603,000	1,403,000
Guaranteed investment certificates and debentures	59,157,000	40,860,000
Interest due and accrued	2,779,000	1,619,000
	<u>86,064,000</u>	<u>63,817,000</u>
Other:		
Bank loan—secured	—	1,000,000
Mortgages payable (Note 6)	301,000	320,000
Accounts payable	542,000	555,000
Deposit on sale of premises (Note 8)	53,000	—
	<u>896,000</u>	<u>1,875,000</u>
Deferred income taxes	294,000	316,000
SHAREHOLDERS' EQUITY (Note 2)		
Capital stock		
Authorized—2,000,000 shares without par value		
Issued and fully paid—1,093,987 shares	3,650,000	3,490,000
Contributed surplus	776,000	761,000
Retained earnings	590,000	434,000
	<u>5,016,000</u>	<u>4,685,000</u>
	<u>\$92,270,000</u>	<u>\$70,693,000</u>

On behalf of the Board:

David S. Ades, Director
Gerald Rose, Director

AUDITORS' REPORT

To the Shareholders of
Federal Trust Company
(successor to Federal Trust & Savings Company
and County Savings and Loan Corporation)

We have examined the balance sheet of Federal Trust Company as at December 31, 1974 and the statements of income, retained earnings and contributed surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances and we obtained all the information and explanations we required.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the Company, these financial statements present fairly the financial position of the Company as at December 31, 1974 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements for the year ended December 31, 1973 were reported on by other auditors.

Toronto
March 3, 1975

PRICE WATERHOUSE & CO.
Chartered Accountants

STATEMENT OF INCOME

	Year ended December 31	
	1974	1973
	(Note 2)	
Investment income:		
Bank deposit receipts	\$ 348,000	\$ 213,000
Securities	544,000	495,000
Mortgages	6,655,000	4,179,000
Other loans	242,000	131,000
	<u>7,789,000</u>	<u>5,018,000</u>
Interest expense:		
Demand deposits	1,088,000	790,000
Term deposits	342,000	35,000
Guaranteed investment certificates and debentures	4,525,000	2,440,000
	<u>5,955,000</u>	<u>3,265,000</u>
Net interest income	1,834,000	1,753,000
Fees and commissions:		
Real estate sales	203,000	117,000
Mortgage and other	340,000	269,000
	<u>2,377,000</u>	<u>2,139,000</u>
Operating expenses:		
Salaries and staff benefits	1,105,000	879,000
Real estate commissions	121,000	32,000
Premises	220,000	127,000
Other	722,000	575,000
	<u>2,168,000</u>	<u>1,613,000</u>
Operating income before taxes	209,000	526,000
Income taxes (Note 9)	54,000	233,000
Net operating income	155,000	293,000
Net gain on sale of investments after related income taxes (Note 9)	1,000	27,000
Net income for the year	<u>\$ 156,000</u>	<u>\$ 320,000</u>

Earnings per share (Note 10)

STATEMENTS OF RETAINED EARNINGS AND CONTRIBUTED SURPLUS

	Year ended December 31	
	1974	1973
	(Note 2)	
RETAINED EARNINGS		
Balance at beginning of year	\$ 434,000	\$ 114,000
Net income for the year	156,000	320,000
Balance at end of year	<u>\$ 590,000</u>	<u>\$ 434,000</u>
CONTRIBUTED SURPLUS		
Balance at beginning of year	\$ 761,000	\$ 261,000
Add:		
Amount received on the issue of shares prior to amalgamation (Note 2(b))	15,000	500,000
Balance at end of year	<u>\$ 776,000</u>	<u>\$ 761,000</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Securities—

Stocks are carried at original cost and bonds at amortized cost. Where concurrent purchase and sale contracts of equal value are made for bonds of a similar investment quality and maturity, the cost of the bonds acquired is deemed to be the equivalent of the cost of the bonds sold.

(b) Consumer and personal loans—

Provision for losses on loans is made as required. Interest income is amortized over the terms of the loans using the sum of the digits method.

(c) Mortgages—

Mortgages are stated at their outstanding principal amount less unamortized discounts and placement fees. Discounts and placement fees are amortized on a straight-line basis over the terms of the mortgages.

(d) Joint venture—

The investment in the joint venture is recorded using the equity accounting basis.

(e) Deferred expenses—

Certain expenses, included in other assets, are deferred to provide proper matching of revenue and expenses. The significant items are:

(i) Commissions paid on guaranteed investment certificates and debentures are written off over the terms of the certificates.

(ii) Costs incurred to obtain surrender of leases are written off on a straight-line basis over a period of 5 years.

(f) Premises, leasehold improvements and equipment—

Premises, leasehold improvements and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided to write off assets over their estimated useful lives as follows:

Buildings	— 5% reducing balance
Equipment	— 20% reducing balance
Leasehold improvements	— over the term of the lease plus first option period

(g) Income taxes—

Full provision for income taxes is made in the financial statements using the tax allocation method, whereby income taxes related to timing differences are included in deferred income taxes. Timing differences arise as a result of including certain items of income and expense in one reporting period for financial accounting purposes and another for income tax purposes.

2. AMALGAMATION

(a) Under letters patent dated June 26, 1974 Federal Trust Company was formed effective June 30, 1974 by the amalgamation of County Savings and Loan Corporation with its subsidiary Federal Trust & Savings Company.

(b) Federal Trust Company issued 1,093,987 fully paid shares of its total authorized capital of 2,000,000 shares without par value to the shareholders of the predecessor companies in the following exchange ratio as set out in the amalgamation agreement:

	Fully paid new shares				
	Old shares	Exchange ratio	Number	%	Value ascribed
Federal Trust & Savings Company (excluding shares held by County Savings and Loan Corporation—parent company)	1,970	1:1	1,970	0.2%	\$ 10,000
County Savings and Loan Corporation	728,011	1.5:1	1,092,017	99.8	3,840,000
			1,093,987	100.0%	\$3,650,000

On exchange of fractional shares, each shareholder received a full share in lieu of his fractional interest.

The movement in capital stock of County Savings and Loan Corporation from December 31, 1973 to June 30, 1974 was as follows:

	Number of shares	Capital stock	Contributed surplus
Balance at December 31 1973	698,031	\$3,490,000	\$ 761,000
Issued for cash during the period (\$5 per share par value credited to capital stock)	29,980	150,000	15,000
Balance at June 30, 1974 prior to amalgamation	728,011	\$3,640,000	\$ 776,000

(c) The amalgamation has been accounted for on the pooling of interest method, whereby the assets and liabilities of the predecessor companies are carried forward at their net book values. The financial statements have been presented as if the amalgamation had been in effect throughout 1973 and 1974. Certain 1973 comparative figures have been restated to conform with classifications adopted in 1974.

The carrying values of the net assets of the amalgamating companies at June 30, 1974 immediately prior to the amalgamation were as follows:

	(Unaudited) Net Assets
Federal Trust & Savings Company (excluding portion applicable to County Savings and Loan Corporation—parent company)	\$ 11,000
County Savings and Loan Corporation	4,973,000
	<u>\$4,984,000</u>

3. SECURITIES

Cost and market values, at December 31 are:

	1974		1973	
	Cost	Market	Cost	Market
Bonds				
Gov't. of Canada	\$1,681,000	\$1,589,000	\$1,546,000	\$1,427,000
Prov. of Canada	2,901,000	2,363,000	2,900,000	2,589,000
Municipalities	35,000	29,000	35,000	29,000
Corporation	1,597,000	1,291,000	1,370,000	1,208,000
	6,214,000	5,272,000	5,851,000	5,253,000
Stocks				
Preferred	1,276,000	961,000	1,000,000	895,000
Common	308,000	147,000	438,000	360,000
	1,584,000	1,108,000	1,438,000	1,255,000
	<u>\$7,798,000</u>	<u>\$6,380,000</u>	<u>\$7,289,000</u>	<u>\$6,508,000</u>

4. INVESTMENT IN JOINT VENTURE

During 1974, the Company purchased a 10% undivided interest in the land and building at 415 Yonge Street at a total cost of \$1,000,000 of which \$500,000 was paid in cash and the balance satisfied by assuming a 10% interest in a mortgage repayable over 25 years.

The co-owners of the land and building have appointed an agent to rent, manage and operate the property.

Depreciation is not provided in the accounts of the joint venture but the Company is recording depreciation at 2½% on the straight-line basis on its interest in the building and is also claiming capital cost allowances for tax purposes thereon.

At December 31, 1974, the investment in joint venture is represented by the following:

Land		\$237,000
Building	\$779,000	
Less: Accumulated depreciation	12,000	767,000
9½% mortgage payable		(500,000)
Equity position in joint venture		
Share of losses	4,000	
Cash received	2,000	(6,000)
		<u>\$498,000</u>

5. OTHER ASSETS

Included in other assets are the following items:

	1974	1973
Investment in Managed Funds	\$ 200,000	\$ 200,000
Deferred expenses	109,000	104,000
Income tax recoverable	122,000	93,000
Cost less related accumulated depreciation of premises sold (Note B)	376,000	—
Real estate acquired by foreclosure	226,000	—
Other	88,000	31,000
	<u>\$1,121,000</u>	<u>\$428,000</u>

6. PREMISES, LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Book values, at December 31 are:

	1974		1973	
	Cost	Accum. depreciation & amortization	Net	Net
Land	\$ 263,000	\$ —	\$ 263,000	\$ 435,000
Buildings	614,000	82,000	532,000	510,000
Leasehold improvements	477,000	87,000	390,000	16,000
Equipment	327,000	198,000	129,000	130,000
	<u>\$1,681,000</u>	<u>\$ 367,000</u>	<u>\$1,314,000</u>	<u>\$1,091,000</u>

Depreciation and amortization charged against operations amounted to \$65,000 in 1974 and \$67,000 in 1973. Mortgages payable totalling \$301,000 are secured against land and buildings.

7. GUARANTEED TRUST DEPOSITS

Assets held to secure guaranteed trust deposits are \$87,952,000 in 1974 and \$66,326,000 in 1973.

8. DEPOSIT ON SALE OF PREMISES

Under an agreement dated April 11, 1974 the land and building at 141-143 Yonge Street was sold as of December 23, 1974 for a total consideration of \$1,528,000. The purchase consideration is to be satisfied as follows:

Cash received to date of closing	\$ 53,000
9½% Promissory note due March 5, 1975 secured by third mortgage	100,000
9½% Second mortgage with principal repayments of \$76,000 due June 23, 1975 and balance due December 23, 1975	229,000
9½% First mortgage due December 23, 1984	1,146,000
	<u>\$1,528,000</u>

Although title to the property passed to the purchaser on December 23, 1974, the profit on sale has not been recognized in the accounts to December 31, 1974 since the cash proceeds to that date are nominal in comparison to the total consideration. The profit on sale will be recognized in 1975 when further cash proceeds are received.

The cost less related accumulated depreciation of the premises sold, amounting to \$376,000, is included in other assets.

9. INCOME TAXES

Income taxes, current and deferred, have been provided in the statement of income as follows:

	1974		1973	
	On operating income	On investment gains	On operating income	On investment gains
Current	\$ 76,000	\$ 4,000	\$ 16,000	\$ 6,000
Deferred	(22,000)	—	217,000	10,000
	<u>\$ 54,000</u>	<u>\$ 4,000</u>	<u>\$ 233,000</u>	<u>\$ 16,000</u>

The Company's income tax provisions are lower than the prevailing corporate tax rate because the statement of income includes certain non taxable earnings.

10. EARNINGS PER SHARE

	1974	1973
Net operating income	\$0.14	\$0.33
Net gain on investments		0.03
Net income for the year	<u>\$0.14</u>	<u>\$0.36</u>

The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective years after giving retroactive effect to the share exchange ratio referred to in Note 2(b).

11. COMMITMENTS

(a) Mortgages—

Outstanding commitments for future advances amounted to approximately \$9,000,000 at December 31, 1974.

(b) Leases—

Under lease commitments expiring over the next nine years, the Company is committed to annual rental payments of \$299,000.

(c) Mortgage and Bond Fund—

If redemptions from the Fund exceed cash available to meet redemptions, the Company has undertaken to find a purchaser for such number of mortgages as will realize the required cash. As at December 31, 1974 the Fund held mortgages valued at \$134,000.

12. OTHER INFORMATION

(a) The aggregate remuneration paid to directors and officers amounted to \$188,000 (1973—\$170,000).

(b) During the year there were temporary loans to directors and officers aggregating a maximum amount of \$27,000. There were no such loans outstanding at December 31, 1974.

TEN-YEAR SUMMARY*

(in thousands of dollars except per share figures)

	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
Balance Sheet:										
Total assets	\$90,270	\$70,693	\$46,524	\$37,734	\$32,995	\$26,099	\$18,580	\$12,499	\$ 9,133	\$ 5,744
Deposits	86,064	63,817	42,677	34,413	29,764	23,669	16,488	10,598	7,216	3,430
Shareholders' equity	5,016	4,685	2,865	2,521	2,195	1,945	1,870	1,814	1,838	1,917
Estates, trusts and agencies under administration	15,400	6,193	—	—	—	—	—	—	—	—
Earnings:										
Total income	8,332	5,404	3,847	3,343	2,881	1,801	1,289	809	543	283
Net operating income (loss)	155	293	266	152	38	38	33	(19)	(142)	(228)
Net income (loss) for the year	156	320	345	338	52	75	55	2	(142)	(228)
Per share:**										
Net operating income	0.14	0.33	0.39	0.23	0.06					
Net income for the year	0.14	0.36	0.51	0.51	0.08					

*Federal Trust Company was formed as a result of amalgamations in 1972 and 1974, between County Savings and Loan Corporation, Federal Savings and Loan Corporation and Federal Trust & Savings Company. The above table reflects the position as it would have been if the corporation had been amalgamated for the full ten year period.

**Based on weighted average number of shares outstanding during each year.

DIRECTORS:

*David S. Ades, B.Sc., A.M.C.T.
President,
Realty Capital Corp. Limited
Federal Trust Company

Roger I. Coe, C.A.
Vice-President & Treasurer,
Realty Capital Corp. Limited
Federal Trust Company

Consiglio Di Nino,
Vice-President,
Realty Capital Corp. Limited
Federal Trust Company

*Donald C. Early,
Greenshields Incorporated,
Toronto

Seymour Friedland, Ph.D.
Professor of Economics,
York University

Pierre Genest, Q.C.
Partner,
Cassels, Brock, Toronto

*Alderman Joseph J. Piccininni
Alderman,
City of Toronto

*Georges A. Pouliot, Q.C.
Partner,
Pouliot, Mercure, Le Bel, Prud'-
Homme, Verdy & Desrochers,
Montreal

Gerald Rose, S.R.A.
Executive Vice-President &
Secretary,
Realty Capital Corp. Limited
Federal Trust Company

*Audit Committee

OFFICERS:

*David S. Ades, B.Sc., A.M.C.T.,
President & General Manager

*Gerald Rose, S.R.A., *Executive Vice-*
President & Secretary

*Roger I. Coe, C.A., *Vice-President &*
Treasurer

*Consiglio Di Nino, *Vice-President*
& Assistant General Manager

*Peter R. Simpson, *Assistant Vice-*
President & Mortgage Manager
M. Michael Craft, *Comptroller*

*Executive Committee

BRAMPTON ADVISORY BOARD

J. Robert Kelly, *Chairman*
William Raine
Doug Dunton

AUDITORS:

Price Waterhouse & Co.,
Chartered Accountants, Toronto

BANKERS:

Royal Bank of Canada
Canadian Imperial Bank of
Commerce
Mercantile Bank of Canada

LEGAL COUNSEL:

Cassels, Brock
Barristers & Solicitors, Toronto

DEPARTMENT MANAGERS:

M. Michael Craft, *Accounting &*
Data Processing

Edward A. Densmore, *Consumer*
Loans

Douglas J. Duncan, *Branch*
Operations & Services

Gerald T. Herstad, *Real Estate Sales*

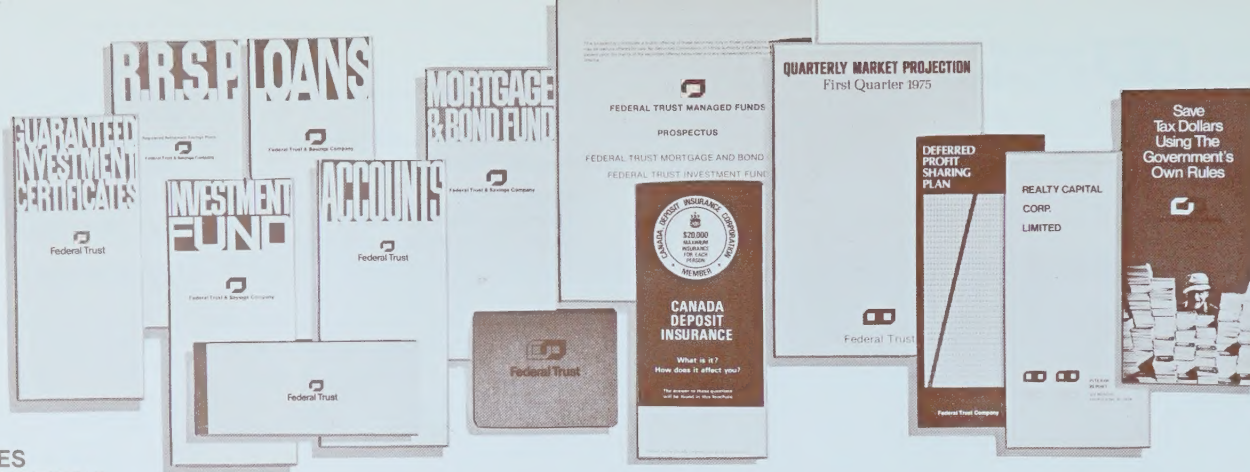
Michelle Maiola, *G.I.C.'s*

P. Morgan McCague, *Securities*

Rosalind J. Munro, *Personnel*
Peter Nygard, *Mortgages—*
Toronto Branch

Gordon M. Parr, *Internal Audit*
and Systems

Peter R. Simpson, *Mortgages*



SERVICES AND FUNCTIONS

SAVINGS ACCOUNTS

Interest calculated on a minimum monthly balance and payable semi-annually.

CHEQUING ACCOUNTS

Earn interest and at the same time write as many cheques as you require for a small service charge.

CURRENT ACCOUNTS

For the businessman who writes many cheques and requires a monthly statement. Unlike many other companies, we pay interest on this account.

GUARANTEED INVESTMENT CERTIFICATES

Certificates earn the highest rate of interest. Interest may be paid monthly for certificates in excess of \$10,000. Otherwise interest is payable half-yearly or may be accumulated to maturity. Certificates are available in amounts of \$100 or more.

SHORT TERM DEPOSITS

Available in amounts of \$5,000 and over for periods of 30 to 364 days.

SAFETY DEPOSIT BOXES

A means of assuring the safety of your valuables.

MORTGAGE LOANS

Available on residential, commercial and industrial properties including secondary financing and interim construction loans.

CONSUMER AND PERSONAL LOANS

Life insured loans available to meet the personal requirements of our customers.

COLLATERAL LOANS

On the security of approved stocks, bonds and debentures and on Trust Company Guaranteed Investment Certificates. Available to corporations, brokers and individuals.

MORTGAGE BANKING

A mortgage service for pension funds, insurance companies and other domestic and foreign institutional investors.

REGISTERED RETIREMENT SAVINGS PLANS

A means of saving for retirement and deferring taxes at the same time. The company offers a number of investment alternatives.

REAL ESTATE SALES

We will acquire or sell any type of residential, commercial or industrial property.

REAL ESTATE APPRAISALS

We have professional appraisers for all types of properties.

PERSONAL INVESTMENT MANAGEMENT

Our Investment Officers are available to assist you in your investment decisions. In addition the company has two pooled funds, a Mortgage and Bond Fund and an Investment Fund, available for investments.

REGISTERED HOME OWNERSHIP SAVINGS PLANS

A means of saving for a home and reducing taxes at the same time. The company offers a number of investment alternatives.

DEFERRED PROFIT SHARING PLANS

Design, registration and administration of plans. This has become an extremely popular means of providing employees with retirement income out of profits of the company.

INCOME TAX SERVICE

Completion of tax returns for individuals based on information supplied by the taxpayer.

Other services available include:

- Money Orders and Drafts
- Travellers Cheques
- Mortgage Servicing and Management
- Real Estate Management
- Foreign Remittances



MANAGERS:

Savings Branches

Donald B. Irvine 864-9253
415 Yonge Street, Toronto

Lawrence W. C. Brandon 864-9023
141 Yonge Street, Toronto

Sarantis (Sam) Castrinos 461-0254
605 Danforth Avenue, Toronto

Giuseppe Totino 654-4255
948 St. Clair Avenue West, Toronto

Frank B. De Profio 789-4341
1850 Eglinton Avenue West, Toronto

Agostino Simonetta 652-3555
1224 St. Clair Avenue West, Toronto

Giuseppe Ianni 422-1610
2070 Danforth Avenue, Toronto

Sergio De Pina 961-8247
343 College Street, Toronto

Wilfred W. Kelly 453-1460
9 Queen Street East, Brampton

Robert J. Acres
270 Albert Street, Ottawa*
Gordon Stringer 735-0714
800 Niagara Street North, Welland*

Real Estate Sales Branches

Frances L. Conant 839-5138
1355 Kingston Road West, Pickering

Michael Fiorillo 789-7128
2450 Dufferin Street, Toronto

Mortgage Office

John J. A. Jensen 238-4886
56 Sparks Street, Suite 101, Ottawa

*scheduled opening April, 1975

*Relocation of a Toronto branch office from
950 to 948 St. Clair Avenue West,
immediately resulted in increased business
activity and new accounts at these larger and
more attractive premises owned by Federal
Trust.*



Realty Capital Corp Limited  Federal Trust Company

Federal Trust Tower
415 Yonge St., Toronto